

## Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00

FMC-04 INR-11 NSAE-00 RSC-01 CG-00 COA-02 DLOS-07

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R 311900Z JUL 74

FM AMEMBASSY GUATEMALA

TO SECSTATE WASHDC 3837

C O N F I D E N T I A L GUATEMALA 4112

E.O. 11652: GDS

TAGS: ETRN, GT

SUBJECT: SHIPPING: FURTHER DEVELOPMENTS

REF: A) GUATEMALA 3783; B) GUATEMALA 3381

SUMMARY: ARMAGUA WAIVER PROBLEM ON MARCH DELTA LINES SHIPMENT PREVIOUSLY REPORTED AS SOLVED IS STILL PENDING. ECONOMY MINISTRY NOW INVESTIGATING LEGALITY OF ITS RESOLUTION WHICH EXTENDED NEED FOR OBTENTION OF WAIVER ON EXONERATED CARGO TO ARMAGUA. EMBOFF HAS INFORMALLY BRIEFED VICE MINISTER OF ECONOMY ON VARIOUS ASPECTS OF PROBLEMS CAUSED U.S. BY GUATEMALA'S RESERVE CARGO LEGISLATION. ECONOMY MINISTER HAS APPROACHED PRESIDENT GUATEMALAN CHAMBER OF COMMERCE ON POSSIBLE CHANGES IN GOG MARITIME POLICY.

1. INFORMATION CONTAINED REFTEL A RE GRANTING OF WAIVER BY ARMAGUA FOR MARCH DELTA LINE SHIPMENT FOR INDUSTRIA DE PAPEL (BOISE CASCADE SUBSIDIARY) AND ABSENCE NEED FOR ARMAGUA TO WAIVER ON EXONERATED CARGO SHIPMENTS INCORRECT. DESPITE FLOMERCA PRESIDENT MARTINEZ DEL ROSAL'S ASSERTION THAT PROBLEM HAD BEEN RESOLVED, WAIVER REQUIRED AND HAS NOT YET BEEN GRANTED BY ARMAGUA FOR THIS SHIPMENT. FLOMERCA OFFICIALS HAVE STILL NOT MET WITH ECONOMY MINISTER PALOMO TO DISCUSS PROBLEM, ALTHOUGH MEETING REPORTEDLY SET FOR THIS WEEK. LOCAL DELTA SHIPPING AGENT HAS NOT REPORTED THIS OCCURRENCE TO DELTA  
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BECAUSE HE FEARS POSSIBLE EXPLOSIVE RESPONSE BY DELTA OFFICIALS

TO PROBLEM WHICH MAY BE RESOLVED LOCALLY. BASIS FOR NEED OBTAIN WAIVER FROM ARMAGUA IS ECONOMY MINISTRY INTERNAL RESOLUTION 2130 OF 5/13/74. ECONOMY VICE MINISTER VILLACORTA TOLD EMBOFF HE INSTRUCTING MINISTRY'S LAWYERS LOOK INTO LEGAL BASIS THIS RESOLUTION WHOSE LEGALITY VILLACORTA DOUBTS. ASIDE FROM THIS INSTANCE, WAIVER ISSUE WILL NOT CAUSE ADDITIONAL IMMEDIATE PROBLEMS AS BOTH FLOMERCA AND ARMAGUA HAVE GRANTED A BLANKET WAIVER THROUGH AUGUST TO FACILITATE FREIGHT MOVEMENTS IN CASE OF DOCK STRIKE IN U.S.

2. ON SEVERAL OCCASIONS EMBOFF HAS INFORMALLY DISCUSSED ARMAGUA WAIVER PROBLEM AND BACKGROUND OF PROBLEM CAUSED U.S. BY GUATEMALA'S RESERVE CARGO LEGISLATION, DECREE 41-71 WITH VILLACORTA. PURPOSE OF DISCUSSIONS WAS TO INQUIRE ABOUT NEED OF ARMAGUA WAIVER ON EXONERATED CARGO SHIPMENTS, ADVISE HIGH LEVEL GOG OFFICIAL OF SOON TO BE RESUMED NEGOTIATIONS BETWEEN DELTA AND FLOMERCA OFFICIALS, AND OF POTENTIAL PROBLEM THAT COULD ARISE IN U.S.-GUATEMALAN RELATIONS BECAUSE OF GUATEMALA'S RESERVE CARGO LEGISLATION. BOTH VILLACORTA AND MINISTER PALOMO WERE ONCE DIRECTORS OF FLOMERCA. ALTHOUGH BOTH VERY FAMILIAR WITH FLOMERCA'S OPERATIONS AND PRIVATE SECTOR OPPOSITION TO DECREE 41-71, THEY EVIDENTLY UNAWARE PROBLEMS CAUSED U.S. SHIPPERS BY THIS DECREE.

3. NEVERTHELESS, EXTENT OF HARMFUL EFFECTS ON GUATEMALA'S ECONOMY STEMMING FROM FLOMERCA'S OPERATION HAS APPARENTLY BEEN OF CONCERN TO PALOMO. IN CONVERSATION WITH EMBOFF, GUATEMALAN CHAMBER OF COMMERCE PRESIDENT EDMUNDO NANNE STATED THAT PALOMO RAISED SUBJECT OF FLOMERCA WITH HIM AT ROTARY CLUB LUNCHEON ON JULY 24. ACCORDING TO NANNE, PALOMO IS WELL AWARE OF HARM THAT FLOMERCA CAUSING LOCAL ECONOMY IN FORM OF HIGHER FREIGHT CHARGES AND LESSENERED SERVICE BECAUSE OF FLOMERCA'S SEMI-MONOPLOY POSITION AND ROYALTY BASED ASSOCIATIONS WITH FOREIGN SHIPPING COMPANIES. PALOMO APPEARS DESIROUS OF CHANGING THIS SITUATION. NANNE ELABORATED THAT MECHANISM FOR INTRODUCING CHANGE WOULD BE AUGUST 26 FLOMERCA BOARD OF DIRECTOR'S MEETING AT WHICH TIME NEW BOARD CHOSEN. PLAN IS THAT GOG AS MAJORITY SHAREHOLDER (OVER 99 PERCENT OF STOCK) WILL INSTALL A DIRECTOR WHO REPRESENTS PRIVATE SECTOR VIEWS. THIS DIRECTOR WOULD BE INSTRUMENT FOR INTRODUCING CHANGES IN

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FLOMERCA'S POLICY AND MAKING IT RECEPTIVE TO PROPOSED CHAMBER OF COMMERCE MERCHANT MARINE DEVELOPMENT LAW (SEE GUATEMALA 798). PALOMO REPORTEDLY STATED THAT GOG WOULD SUPPORT PRIVATE SECTOR INITIATIVES RAISED BY THIS DIRECTOR. NANNE SAID THAT PREVIOUSLY HE PESSIMISTIC ABOUT POSSIBLE CHANGE IN FLOMERCA POLICY, BUT GIVEN PALOMO'S INITIATIVE HE NOW OPTIMISTIC. NANNE ADDED THAT IF DELTA-FLOMERCA NEGOTIATIONS ARE RESUMED IN GUATEMALA HE WISHES MEET WITH DELTA OFFICIALS

PRIOR TO THEIR MEETING WITH FLOMERCA.

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## Message Attributes

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